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Supreme Court, U.S.
FILED
NOV 19 2007
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No. 07-659

In the Supreme Court of the United States

PHOENIX OF BROWARD, INC.,

Petitioner,

v.

MCDONALD'S CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eleventh Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides a cause of action to "any person who believes that he or she is or is likely to be damaged" by another's false advertising. The question presented is:

Whether the Eleventh Circuit correctly held—consistent with the Fifth Circuit but in conflict with at least five other courts of appeals—that a direct competitor may lack prudential standing to bring a claim for false advertising under Section 43(a) of the Lanham Act, despite having suffered a competitive injury caused by the false advertising of its primary rival.

RULE 29.6 STATEMENT

Petitioner Phoenix of Broward, Inc. has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

The decision of the Eleventh Circuit, App., *infra*, 1a-33a, is reported at 489 F.3d 1156 (2007). The decision of the district court, App., *infra*, 34a-51a, is reported at 441 F. Supp. 2d 1241 (N.D. Ga. 2006).

JURISDICTION

The judgment of the court of appeals was entered on June 22, 2007. On September 5, 2007, Justice Thomas extended the time for filing a petition for a writ of certiorari to and including October 22, 2007. On October 12, 2007, Justice Thomas further extended the time for filing to and including November 19, 2007. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides, in pertinent part:

> (a) Civil action
>
> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

STATEMENT

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides a cause of action to "any person who believes that he or she is or is likely to be damaged" by another's false advertising. At issue in this case is whether a plaintiff that has suffered a competitive injury as a result of the false advertisement of its direct competitor may be denied prudential standing to bring suit under the Lanham Act.

I. Statutory Background

Congress passed the Lanham Act in recognition of the increasingly national nature of commerce and the resulting needs to "protect the public from deceit

[and] to foster fair competition." S. Rep. No. 1333, 79th Cong., 2d Sess. 4 (1946). To that end, the Act "creat[es], in essence, a federal law of unfair competition," S. Rep. No. 515, 100th Cong., 2d Sess. 40 (1988), and "provides a private remedy to a commercial plaintiff who[se] * * * commercial interests have been harmed by a competitor's false advertising." *Sandoz Pharm. Corp.* v. *Richardson-Vicks, Inc.*, 902 F.2d 222, 230 (3d Cir. 1990); see also, *e.g.*, *Barrus* v. *Sylvania*, 55 F.3d 468, 470 (9th Cir. 1995); *Stanfield* v. *Osborne Indus., Inc.*, 52 F.3d 867, 873 (10th Cir. 1995); *Coca-Cola Co.* v. *Procter & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987); *Norman M. Morris Corp.* v. *Weinstein*, 466 F.2d 137, 141 (5th Cir. 1972).

By its plain terms, the Act confers standing on "*any person* who *believes* that he or she is or is *likely* to be damaged" by false advertising. 15 U.S.C. § 1125(a) (emphasis added). It is widely acknowledged, however, that, because the Act's main goal is to remedy anticompetitive behavior, "Congress * * * did not contemplate that federal courts should entertain claims brought by consumers." *Serbin* v. *Ziebart Int'l Corp.*, 11 F.3d 1163, 1179 (3d Cir. 1993).

To prevail on the merits of a Section 43(a) claim, a plaintiff must establish that the advertising was false, see *Norman M. Morris*, 466 F.2d at 141-142—although the falsity or misleading nature of the advertising need not be either knowing or intentional, see *Vector Prods., Inc.* v. *Hartford Fire Ins. Co.*, 397 F.3d 1316, 1319 (11th Cir. 2005). Section 43(a) forbids firms not only from making false claims about their competitors, but also from making misrepre-

sentations about their own promotions and products. *Serbin*, 11 F.3d at 1177 ("[C]ulpability attaches * * * to a defendant's false advertising with respect to the defendant's goods or services [and] to false advertising relating to the goods or services of others."); see *Time Warner Cable, Inc.* v. *DIRECTV, Inc.*, 497 F.3d 144 (2d Cir. 2007).

The plaintiff must also show "that it suffered actual harm to its business." *Quabaug Rubber Co.* v. *Fabiano Shoe Co.*, 567 F.2d 154, 161 (1st Cir. 1977) (citing *Electronics Corp. of Am.* v. *Honeywell, Inc.*, 358 F. Supp. 1230 (D. Mass.), aff'd per curiam, 487 F.2d 513 (1st Cir. 1973)). "A precise showing is not required, and a diversion of sales, for example, * * * suffice[s]." *Quabaug*, 567 F.2d at 161 (citing *H.A. Friend & Co.* v. *Friend & Co.*, 276 F. Supp. 707 (C.D. Cal. 1967), aff'd, 416 F.2d 526 (9th Cir. 1969)).

II. Factual Background

A. Competition In The Fast-Food Industry

Burger King Corporation franchises or owns approximately 11,000 Burger King fast-food restaurants throughout the world. App., *infra*, 55a.[1] Petitioner Phoenix of Broward, Inc. ("Phoenix") owns and operates one such franchise in Fort Lauderdale, Florida. *Id.* at 54a. McDonald's Corporation franchises or owns approximately 30,000 McDonald's fast-food restaurants around the world. *Id.* at 55a.

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[1] This case comes before the Court on respondent's motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6). Accordingly, all allegations in petitioner's complaint, App., *infra*, 52a-71a, are deemed true.

As the district court correctly noted, McDonald's and Phoenix are "unquestionably" direct competitors. *Id.* at 45a. Indeed, McDonald's and Burger King are the fiercest rivals in the fast-food restaurant industry—at all relevant times, they were an established first and second among all hamburger chains. *Id.* at 57a.

The battle between these two chains focuses, in large part, on "competition for a market share." Richard K. Miller & Sandra E. McBride, *The 2002 Restaurant & Foodservice Market Research Handbook* 12 (2002). Not surprisingly, both firms fund massive marketing efforts—in 1999 alone, McDonald's and Burger King devoted $623 and $400 million, respectively, to media expenditures. *America's Top Brands*, Brandweek, June 19, 2000, (Special Issue: Superbrands), at 118; see App., *infra*, 57a-58a. Particularly relevant here, "McDonald's has for many years offered patrons the opportunity to win prizes * * * in games designed to attract customers away from competing fast food restaurants, including those owned by Burger King Franchisees, and divert them to McDonald's restaurants." *Id.* at 58a; see also Stuart Elliott, *McDonald's Finds Mr. Potato Head Appealing for Contest*, USA Today, Mar. 14, 1990, at B5 ("Contests are a staple at McDonald's restaurants along with fries and Big Macs. The reason: They help stimulate sales by providing a surprise to customers.").

McDonald's advertisements and promotions often have the desired effect. App., *infra*, 57a-59a. Competitors, in turn, are quick to respond with their own efforts to win back customers. See Michael McCarthy, *BK, 'LK' to Roar Again at X-Mas*,

Brandweek, Sept. 5, 1994, at 1. For example, in 1994, Burger King enjoyed a 30% increase in sales from a six-week promotion it ran in conjunction with Disney's *The Lion King*, and McDonald's responded with a two-week price special. Jim Kirk, *McD's Counters the 'King'*, Adweek E. Edition, Aug. 29, 1994, at 2. Reflecting on that particular campaign, one "McDonald's insider" offered a keen insight into the nature of the Burger King-McDonald's competition:

> "Burger King had the most successful promotion ever and they cleaned McDonald's clock with it[.] *Lion King* hit right into the core of McDonald's business. It hit right to what they call the 'shin kickers'; you know, the kids who are kicking their parents telling them where they want to go out to eat."

Ibid.

McDonald's Monopoly promotions have traditionally enjoyed similar levels of success. McDonald's 1987 Annual Report praised its original Monopoly promotion, noting that it "was the single most successful national promotion in McDonald's history." McDonald's Corp., Annual Report (Form 10-K), at 4, 16 (Apr. 20, 1988). After the striking success of its initial run, McDonald's returned to Monopoly-based promotions over the ensuing 20 years.

B. The Advertising Campaign

At issue in this case was a campaign of promotional games—including "Monopoly Games at

McDonald's," "The Deluxe Monopoly Game," and "Who Wants to be a Millionaire," App., *infra*, 58a—that McDonald's ran from 1995 to 2001, *id.* at 56a. To generate sales, attract customers, and engender customer loyalty, "McDonald's extensively advertised and promoted each of the games it offered to the public." *Id.* at 35a; see *id.* at 59a. In advertising these "customers' favorites," *id.* at 53a, McDonald's claimed that each customer had "a fair and equal" opportunity of winning each prize and listed the odds of winning the particular prizes, which ranged in value from food items to cars, *id.* at 59a-60a. To win the advertised million-dollar grand prize, individuals had to either obtain an instant-win game piece or collect a series of games pieces, which were typically attached to McDonald's food products. *Id.* at 58a-59a, 65a-66a.

By McDonald's own admission, the promotion generated an "unnatural spike in sales," App., *infra*, 59a, which yielded a "substantial amount of revenue over and above the normal revenue stream," *id.* at 35a. McDonald's benefited from this advertising scheme at the expense of Phoenix and other Burger King franchisees, which not only lost customers to this offer of high-value prizes, *id.* at 58a-59a, but also were compelled to take "counteractive" measures to attempt to regain their diverted business, *id.* at 62a-63a.

During the course of the McDonald's Monopoly promotion, the Federal Bureau of Investigation commenced a criminal investigation into suspected improprieties in the distribution of winning game pieces. Sometime after April 2000, the FBI notified

McDonald's of its investigation. App., *infra*, 61a. McDonald's nevertheless persisted in running its ad campaign, continuing to claim that all customers had a fair and equal chance of winning the prizes. Indeed, McDonald's "knowingly and deliberately" ran these false advertisements. *Id.* at 67a. In August 2001, the FBI and Department of Justice publicly revealed that the promotional games in question had been rigged from at least 1995 to August 2001. *Id.* at 60a-61a.

The FBI's investigation ultimately confirmed that McDonald's customers—far from having a "fair and equal" chance to win high value prizes—had virtually no chance to win them. Individuals hired by McDonald's to run the game had been systematically diverting winning game pieces to a network of co-conspirators, who had been claiming the prizes and then sharing the proceeds with their confederates. App., *infra*, 60a-61a. All told, "[t]his fraud scheme" funneled "at least $20 million in high-value prizes," *ibid.*, to an established "network of 'winners,'" *id.* at 36a.

III. Procedural Background

On February 22, 2006, petitioner Phoenix brought a proposed class action in the U.S. District Court for the Northern District of Georgia to vindicate competitive injuries it and similarly situated Burger King franchisees suffered as a result of McDonald's violation of Section 43(a) of the Lanham Act. App., *infra*, 5a. Phoenix alleged that McDonald's advertisement of the rigged games as presenting a "fair and equal" opportunity to win violated the Lanham Act's

prohibition on false advertising and enriched McDonald's at the expense of Phoenix and other Burger King franchisees. *Id.* at 38a. In particular, Phoenix alleged that, "[d]espite knowing that the integrity of its promotional games had been compromised, McDonald's continued to advertise and promote its games as though customers stood a fair and equal chance of winning the high-value prizes." *Id.* at 61a. Phoenix further alleged that "[s]uch representations were all literally false, deceptive and/or misleading." *Ibid.*

"As the direct and proximate result of these false, deceptive and/or misleading misrepresentations, McDonald's diverted business away from Burger King Franchisees, and also obtained windfall profits that it would not otherwise have obtained." App., *infra*, 57a; see also *id.* at 62a-63a ("As the direct and proximate result of McDonald's false * * * advertising and unfair competition, customers were diverted from Phoenix[,] * * * who accordingly not only lost profits due, *inter alia*, to reduced sales, but also incurred costs in connection with the common counteractive efforts to retain those customers."). McDonald's thus competitively injured Phoenix and other Burger King franchisees by depriving them of the revenue, market share, and customer loyalty associated with each diverted sale, and by necessitating costly counteractive measures, such as additional targeted advertising expenses. *Id.* at 57a-59a, 62a-63a, 65a-68a.

McDonald's moved to dismiss these claims on the ground that Phoenix lacked prudential standing

under the Lanham Act.[2] App., *infra*, 39a. The district court granted the motion. Noting that "courts have developed two tests to determine whether a plaintiff has prudential standing to assert a false advertising claim under the Lanham Act," *id.* at *43a*, the district court joined the Fifth Circuit in holding that direct competitors who have alleged a competitive injury must nonetheless satisfy a five-factor prudential standing test, *id.* at 44a. That test was set forth in *Conte Bros. Automotive, Inc.* v. *Quaker State-Slick 50, Inc.*, 165 F.3d 221 (3d Cir. 1998), in which the Third Circuit examined prudential standing for Lanham Act claims brought by *non-direct* competitors. App., *infra*, 44a (citing *Procter & Gamble Co.* v. *Amway Corp.*, 242 F.3d 539, 562-564 (5th Cir. 2001)). As restated by the district court, the five *Conte Bros.* factors included: "(1) the nature of the plaintiff's alleged injury, (2) the directness or indirectness of the asserted injury, (3) the proximity or remoteness of the party to the alleged injurious conduct, (4) the speculativeness of the damages claim, and (5) the risk of duplicative damages or complexity in apportioning damages." *Ibid.*

Lauding the "flexibility" of the *Conte Bros.* test, App., *infra*, 44a—but apparently unconcerned that it was devised for a distinct class of plaintiffs (*i.e.*, non-direct competitors)—the district court concluded that Phoenix lacked prudential standing to sue

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[2] Alternatively, McDonald's argued (i) that the criminal conduct of the individuals hired by an outside firm to oversee security was an intervening cause that severed McDonald's liability; and (ii) that Phoenix failed to satisfy the heightened pleading requirements of Fed. R. Civ. P. 9(b). App., *infra*, 39a. Because it dismissed the case on standing grounds, the district court did not reach either issue. *Id.* at 50a.

McDonald's under Section 43(a) of the Lanham Act, *id.* at 50a. In so holding, the district court claimed that consumers were better suited to "vindicate the public interest by suing McDonald's for fraud," *id.* at 47a, and that "there is no need to empower Phoenix to act as a private attorney general in this case," even though the district court simultaneously acknowledged that "customers do not have standing to sue under the Lanham Act," *id.* at 48a.

The Eleventh Circuit affirmed. The court of appeals first held that Phoenix had properly demonstrated Article III standing by alleging (1) a competitive injury ("customers were diverted * * * [and therefore Phoenix] lost profits due, *inter alia*, to reduced sales * * * [and] incurred costs in connection with common counteractive efforts to retain those customers"); (2) that those injuries were caused by McDonald's false advertising ("[a]s a direct and proximate result of McDonald's false * * * advertising and unfair competition, customers were diverted"); and (3) that the injury can be redressed by the relief sought in this Section 43(a) suit (*i.e.*, "actual damages" from lost sales and "other damages incurred, [including] advertising costs incurred to respond to the fixed promotional games."). App., *infra*, 7a-8a.

It then concluded that prudential standing limitations applied to the Lanham Act, App., *infra*, 11a,[3] but it expressly acknowledged courts' conflicting

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[3] The court of appeals reached that conclusion in part because Congress did not expressly abrogate the prudential standing doctrine when enacting the Lanham Act. App., *infra*, 9a-10a. It also considered it significant that, although a literal reading of

standards for that inquiry, *id.* at 14a-20a. In the Eleventh Circuit's view, "the Seventh, Ninth, and Tenth Circuits have come the closest to 'categorically' holding that the plaintiff must be in 'actual' or 'direct' competition with the defendant and assert a 'competitive injury to establish prudential standing under § 43(a).'" *Id.* at 14a. "In contrast," the court concluded, "the First and Second Circuits have applied a less categorical approach to determine standing, wherein the dispositive issue is not the degree of 'competition,' but whether the plaintiff has a 'reasonable interest' to be protected against the type of harm that the Lanham Act is intended to prevent." *Id.* at 16a.[4]

The Eleventh Circuit, however, joined the Fifth Circuit—and, in its view, the Third Circuit[5]—in holding that even a direct competitor alleging a competitive injury must satisfy the five *Conte Bros.* factors. App., *infra*, at 12a. The court of appeals

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the statute would permit "[a]ny person who shall be injured in his business or property" to bring suit, the Act's purpose is to protect those engaged in commerce from unfair competition. *Id.* at 10a. In the Eleventh Circuit's view, that purpose suggests a congressional intent to circumscribe the class of potential plaintiffs beyond what the text of statute denotes. *Id.* at 10a-11a.

[4] As we explain below, pp. 16-21, *infra*, the Eleventh Circuit was correct to note that the First and Second Circuits do not apply *Conte Bros.* to direct-competitor claims, but it mischaracterized those courts as having adopted a more restrictive approach to such claims.

[5] As we also explain below, pp. 21-26, *infra*, the Eleventh Circuit mistakenly concluded that the Third Circuit intended the *Conte Bros.* test to apply to claims by direct competitors.

expressly acknowledged the "tension" between the categorical and *Conte Bros.* tests, *id.* at 18a n.5, specifically rejecting the suggestion that the *Conte Bros.* test was functionally similar to the categorical approach when applied to direct competitors, *id.* at 19a-20a. It explained that courts need not "blindly accept a plaintiff's allegation that it is a 'competitor' that has suffered a 'competitive injury,'" *id.* at 19a-20a; instead, they must look beyond such allegations to examine whether a plaintiff has met the five *Conte Bros.* factors, *id.* at 20a.

Applying the *Conte Bros.* factors, the court held that the first factor (type of injury) weighed in favor of standing, recognizing that Phoenix's claim "that its 'commercial interests' were 'harmed by a competitor's false advertising'" was "the type of harm the Lanham Act was intended to redress." App., *infra*, at 21a-22a. The third factor (proximity to harmful conduct) likewise supported Phoenix's standing, because there is "no 'identifiable class' of persons that is *more* proximate to the claimed injury" than Phoenix. *Id.* at 28a.

The court of appeals concluded that the remaining factors counseled in the opposite direction. Examining the second factor (directness of the injury), the court determined that Phoenix's claim that it lost customers due to McDonald's false promotion was "tenuous." App., *infra*, 25a. The fourth factor (speculative nature of damages) pointed against standing because "the fast food market consists of *many* competitors, only two of which are McDonald's and Burger King, * * * requir[ing] too much speculation" to evaluate what portion of Burger King's lost sales were attributable to McDonald's false claims. *Id.* at

28a. Finally, the court held that the fifth factor (risk of duplicative damages or complexity in apportioning them) did not favor Phoenix because "every fast food competitor of McDonald's" could bring suit, *id.* at 30a, and because "apportioning damages among these competitors would be a highly complex endeavor," *id.* at 31a. Noting that it was "a close question," the court of appeals concluded that, "on balance," the totality of factors weighed against petitioner's standing to bring suit. *Id.* at 32a.

REASONS FOR GRANTING THE PETITION

This case presents a deep conflict on an issue at the core of the Lanham Act's false-advertising prohibition. As the decision below expressly acknowledged, the courts of appeals have adopted divergent tests for determining whether a direct competitor has prudential standing to bring suit against its rival. At least five circuits require that a direct competitor allege only a competitive injury caused by the false advertisement. The court of appeals below, however, joined one other circuit in holding that direct competitors must satisfy a much more stringent five-factor test initially devised for claims brought by a class of plaintiffs—*i.e.*, non-direct competitors—at the periphery of the Lanham Act's protections.

That division is highly consequential. By importing the restrictive five-factor test to claims by direct competitors, the Eleventh Circuit held—at the 12(b)(6) stage, no less—that a Burger King franchisee had no standing to sue McDonald's for the latter's false (and, by all accounts, wildly successful) advertising. Standing alone, that conclusion is simply puzzling—direct competitors alleging a

competitive injury are quintessential Lanham Act plaintiffs. What is more, the test adopted below allows some of the most egregious Lanham Act violations to go unpunished simply because a court determines (before even taking evidence) that *proving* questions of causation and damages apportionment would be "complex." A rule that insulates from suit defendants who engage in a nationwide false advertising campaign that injures multiple competitors cannot be squared with the Act's goal to promote fair competition. To the contrary, the Act's objectives would seem to *require* that such plaintiffs have at least the *opportunity* to prove their claims.

I. The Courts Of Appeals Are Divided Over The Test That A Direct Competitor Must Satisfy To Meet The Prudential Standing Requirements Of Section 43(a) Of The Lanham Act

As the Eleventh Circuit expressly acknowledged below, the courts of appeals are divided over the prudential standing test that a direct competitor must satisfy to bring a false advertising claim under the Lanham Act. App., *infra*, 12a-18a & n.2. The majority of courts of appeals that have considered the issue—the Second, Third, Seventh, Ninth, and Tenth Circuits—require that a direct competitor allege only a competitive injury caused by the false advertising. Conversely, the Fifth and Eleventh Circuits demand that a direct competitor satisfy a five-factor test requiring examination of the (1) type, (2) directness, and (3) proximity of the injury; (4) the probability of damages; and (5) the complexity of their apportionment. In operation—and as specifically interpreted by the court below—that multifactor test has been

employed to deny standing to direct competitors who have suffered a competitive injury as a result of a rival firm's false advertising. This Court should grant review to resolve the striking inconsistency between those tests.

A. Five Circuits Require Direct Competitors To Allege Only A Competitive Injury Caused By The False Advertisement

As the court of appeals correctly recognized below, "the Seventh, Ninth, and Tenth Circuits" have held that direct competitors "categorical[ly]" have standing to bring suit under Section 43(a) when they allege a competitive injury suffered as a result of a rival firm's false advertising. App., *infra*, 14a & n.4. For example, the Ninth Circuit has held that "claims of false representations in advertising are actionable under section 43(a) when brought by [injured] competitors of the wrongdoer." *Waits* v. *Frito Lay, Inc.*, 978 F.2d 1093, 1109 (9th Cir. 1993). Recognizing that Section 43(a) effectuates the "Lanham Act's * * * purpose of preventing 'unfair competition,'" *ibid.*, the Ninth Circuit requires that direct competitors "allege commercial injury based upon a misrepresentation about a product, and also that the injury was 'competitive,' i.e., harmful to the plaintiff's ability to compete with the defendant." *Barrus* v. *Sylvania*, 55 F.3d 468, 470 (9th Cir. 1995) (quoting *Halicki* v. *United Artists Commc'ns, Inc.*, 812 F.2d 1213 (9th Cir. 1987); see also *Jack Russell Terrier Network of N. Cal.* v. *American Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th Cir. 2005) (competition is the touchstone of standing to bring a false advertising claim under the Lanham Act).

Expressly relying upon the Ninth Circuit's opinion in *Waits*, the Tenth Circuit likewise has held that "to have standing for a false advertising claim, the plaintiff must be a competitor of the defendant and allege a competitive injury." *Stanfield* v. *Osborne Indus.*, 52 F.3d 867, 873 (10th Cir. 1995) (citing *Waits*, 978 F.2d at 1109); see also *Hutchinson* v. *Pfeil*, 211 F.3d 515, 520 (10th Cir. 2000). The Seventh Circuit—also citing *Waits*—likewise requires a direct competitor to allege a competitive injury. *L.S. Heath & Son, Inc.* v. *AT&T Info. Sys., Inc.*, 9 F.3d 561, 575 (7th Cir. 1993) ("In order to have standing to allege a false advertising claim * * * the plaintiff must assert a discernible competitive injury.") (citing *Waits*, 978 F.2d at 1109); see also *Dovenmuehle* v. *Gilldorn Mortgage Midwest Corp.*, 871 F.2d 697, 699 (7th Cir. 1989) ("Typically, plaintiffs suing under [the Lanham Act] are business competitors claiming to be injured as a result of false advertising."); *Johnny Blastoff, Inc.* v. *Los Angeles Rams Football Co.*, 188 F.3d 427, 438 (7th Cir. 1999).

The Second Circuit has followed suit, relying on decisions from the Seventh, Ninth, and Tenth Circuits to hold that "'to have standing for a [Lanham Act] false advertising claim, the plaintiff must be a competitor of the defendant and allege a competitive injury.'" *Telecom Int'l Am., Ltd.* v. *AT&T*, 280 F.3d 175, 197 (2d Cir. 2001) (quoting *Stanfield*, 52 F.3d at 873 and citing *L.S. Heath & Son, Inc.*, 9 F.3d at 575, and *Waits*, 978 F.2d at 1109).[6] The Third Circuit

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[6] Although acknowledging that the Second Circuit has not adopted the exacting five-factor test endorsed below, the Eleventh Circuit's opinion characterized the Second Circuit's

takes the same view, recognizing that "[t]he traditional [Lanham Act] plaintiff * * * has been a competitor who was injured in his line of business as a result of the false advertising." *Thorn* v. *Reliance Van Co.*, 736 F.2d 929, 931 (3d Cir. 1984). Accordingly, the Third Circuit has held that the Lanham Act "provides a private remedy to a commercial plaintiff who[se] * * * commercial interests have been harmed by a competitor's false advertising." *Sandoz Pharm. Corp.* v. *Richardson-Vicks, Inc.*, 902 F.2d 222, 230 (3d Cir. 1990); see also *Joint Stock Soc'y* v. *UDV N. Am., Inc.*, 266 F.3d 164, 180 (3d Cir. 2001) ("Section 43(a) is intended to provide 'a private remedy to a commercial plaintiff who * * * prov[es] that its commercial interests have been harmed by a competitor's false advertising.'") (quoting *Serbin* v. *Ziebart Int'l Corp.*, 11 F.3d 1163, 1175 (3d Cir. 1993)).[7]

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test as "less categorical" than that followed in "the Seventh, Ninth, and Tenth Circuits." App., *infra*, 14a. That confusion appears to stem from the fact that the Second Circuit sometimes generically frames the prudential standing inquiry as whether a Lanham Act plaintiff has "demonstrate[d] a reasonable interest to be protected against the advertiser's false or misleading claims, and a reasonable basis for believing that this interest is likely to be damaged by the false or misleading advertising." *Ortho Pharm. Corp.* v. *Cosprophar, Inc.*, 32 F.3d 690, 694 (2d Cir. 1994) (internal citations and quotations omitted); see *ITC Ltd.* v. *Punchgini, Inc.* 482 F.3d 135, 169 (2d Cir. 2007) (same). Consistent with its holding in *Telecom*, however, the Second Circuit has made abundantly clear that a direct competitor alleging a competitive injury necessarily has the requisite "reasonable interest." *ITC Ltd.*, 482 F.3d at 169; see also *Societe Des Hotels Meridien* v. *LaSalle Hotel Operating P'ship*, 380 F.3d 126 (2d Cir. 2004).

[7] Like the Second Circuit, the Third Circuit sometimes generically frames the Lanham Act standing inquiry as whether

In sum, direct competitors alleging a competitive injury caused by a rival's false advertising "categorically" establish prudential standing in the Second, Third, Seventh, Ninth, and Tenth Circuits. Not surprisingly, our research has not revealed a single reported decision in which those circuits have denied prudential standing to such a plaintiff—indeed, they seldom even question direct competitor standing.[8]

Moreover, several courts that have not squarely addressed the question have observed that a direct competitor alleging a competitive injury resulting from a competitor's false advertising would satisfy Lanham Act prudential standing considerations. See, *e.g.*, *Made in the USA Found.* v. *Phillips Foods, Inc.*, 365 F.3d 278, 281 (4th Cir. 2004) ("[W]e [have] noted in passing that the Lanham Act is 'a private remedy [for a] commercial plaintiff who meets the burden of proving that its commercial interests have been harmed by a competitor's false advertising.'") (quoting *Mylan Labs., Inc.* v. *Matkari*, 7 F.3d 1130,

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the plaintiff has alleged a "reasonable interest to be protected against false advertising." *Serbin*, 11 F.3d at 1176 (internal quotation marks omitted). However, the Third Circuit has explicitly distinguished the prudential standing analysis applied to direct competitors' claims from that applied to claims by firms with less immediate relationships. See, *e.g.*, *Warner-Lambert Co.* v. *Breathassure, Inc.*, 204 F.3d 87, 95 (3d Cir. 2000) ("The standing inquiry was necessary because defendant's products and the plaintiff's products were not in obvious competition.").

[8] See, *e.g.*, *S.C. Johnson & Son, Inc.* v. *Clorox Co.*, 241 F.3d 232 (2d Cir. 2001); *Hot Wax, Inc.* v. *Turtle Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999); *Cottrell, Ltd.* v. *Biotrol Int'l, Inc.*, 191 F.3d 1248 (10th Cir. 1999); *Southland Sod Farms* v. *Stover Seed Co.*, 108 F.3d 1134 (9th Cir. 1997).

1139 (4th Cir. 1993)); *Alpo Petfoods, Inc.* v. *Ralston Purina Co.*, 720 F. Supp. 194, 213 (D.D.C. 1989) ("In the instant case both parties are direct competitors * * * and as such clearly have standing to sue."), aff'd in part, rev'd in part on other grounds, 913 F.2d 958 (D.C. Cir. 1990); *Camel Hair & Cashmere Inst. of Am., Inc.* v. *Associated Dry Goods Corp.*, 799 F.2d 6, 11 (1st Cir. 1986) (citing Second and Third Circuit prudential standing inquiries with approval, although not articulating a test for direct competitors).[9]

B. The Fifth And Eleventh Circuits Apply A Restrictive Five-Factor Prudential Standing Test To Direct Competitors

The Fifth and Eleventh Circuits apply a significantly more restrictive prudential standing test to direct competitors' Lanham Act claims. Those courts require that direct competitors that have suffered a competitive injury must nonetheless satisfy a five-factor test to pursue their false-advertising claims under the Lanham Act. As we explain below, that departure from the majority rule has metastasized (perversely) from a Third Circuit case that, in effect, took a somewhat more *expansive* view of Lanham Act standing to encompass certain

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[9] The court below confused matters when it cited the First Circuit's decision in *Camel Hair* as adhering to the "less categorical approach" for evaluating direct competitors' standing. App., *infra*, 14a. That case did not involve direct competitors. 799 F.2d at 6-8. Thus, *Camel Hair* illustrates only what a non-direct competitor must establish in the First Circuit to satisfy the Lanham Act's prudential standing restriction.

claims by plaintiffs who are *not* in direct competition with the defendant.

1. The Third Circuit's *Conte Bros.* Test For Noncompetitors

In *Conte Bros. Automotive, Inc.* v. *Quaker State-Slick 50, Inc.*, 165 F.3d 221 (3d Cir. 1998), the court examined "whether retailers have standing under § 43(a) of the Lanham Act * * * to bring false advertising claims against manufacturers of products that compete with those the retailers sell." *Id.* at 223. The court, in an opinion by then-Judge Alito, concluded that "the mere fact that [plaintiff] was not a competitor of [the defendant] d[id] not, in and of itself, preclude him from bringing suit under section 43(a)." *Id.* at 230 (quoting *Thorn*, 736 F.2d at 933). Noting that its prior cases had "grappled with defining * * * with greater precision" the circumstances under which a non-direct competitor has a "reasonable interest" protected by the Lanham Act, the court sought an "appropriate method for adding content to our 'reasonable interest' test." *Id.* at 231, 233.

To that end, the Third Circuit borrowed a test this Court had developed to determine when prudential standing under the Clayton Act extended beyond direct competitors and consumers. In *Associated General Contractors of California, Inc.* v. *California State Council of Carpenters*, 459 U.S. 519 (1983), the Court considered whether a labor union suing a contractors' association with which it had entered into a bargaining agreement had "antitrust standing" to bring a claim seeking treble damages for

anticompetitive conduct. *Id.* at 535 n.31. The Court in *Associated General Contractors* recognized that, because the plaintiff was "neither a consumer nor a competitor," it would not suffice to satisfy the standing analysis applied to traditional antitrust plaintiffs. *Id.* at 539; see *Brunswick Corp.* v. *Pueblo Bowl-o-Mat, Inc.*, 429 U.S. 477, 489 (1977) (competitor's alleged injury need only "reflect the anticompetitive effect * * * of the violation"). The Court concluded that standing nonetheless would be appropriate in situations where a noncompetitor's injury is "inextricably intertwined" with injury suffered by a competitor. 459 U.S. at 538 (quoting *Blue Shield of Va.* v. *McCready*, 457 U.S. 465, 484 (1982)). The Court, however, deemed it necessary to define "a point beyond which the wrongdoer should not be held liable"—that is, how far beyond direct competitors and consumers the Clayton Act could reach. *Id.* at 534 (citing *Illinois Brick Co.* v. *Illinois*, 431 U.S. 720, 760 (1977) (Brennan, J. dissenting)). In drawing that line, the Court developed a five-factor test that focused on "the burden on the judicial system that would result if the private right of action were available to remotely injured plaintiffs." Ronald Davis, *Standing on Shaky Ground: The Strangely Elusive Doctrine of Antitrust Injury*, 70 Antitrust L.J. 697, 698 (2003).

The *Conte Bros.* court borrowed those five factors to ascertain whether a non-direct competitor should have standing to bring a false-advertising claim under Section 43(a) of the Lanham Act. Those factors were: (1) "[t]he nature of the plaintiff's alleged injury"; (2) "[t]he directness or indirectness of the asserted injury"; (3) "[t]he proximity or remoteness of

the party to the alleged injurious conduct"; (4) "[t]he speculativeness of the damages claim"; and (5) "[t]he risk of duplicative damages or complexity in apportioning damages." 165 F.3d at 233. After analyzing each factor, the Third Circuit held that the plaintiff-retailer lacked prudential standing to sue the defendant-manufacturer. *Id.* at 236.

Since deciding *Conte Bros.*, the Third Circuit has applied that test to other non-direct competitors. See, *e.g.*, *Joint Stock*, 266 F.3d at 180. But, significantly, that court has *not* applied it to claims by direct competitors, despite numerous opportunities to do so. See, *e.g.*, *Novartis Consumer Health, Inc.* v. *Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 595 (3d Cir. 2002) (discussing standing considerations relevant to claim by direct competitor); see also, *e.g.*, *GlaxoSmithKline Consumer Healthcare, L.P.* v. *Merix Pharm. Corp.*, 197 Fed. App'x 120 (3d Cir. 2006) (not questioning standing, much less applying *Conte Bros.* restrictions to direct-competitor claim); *Wellness Publ'g* v. *Barefoot*, 128 Fed. App'x 266 (3d Cir. 2005) (same).

2. The Fifth And Eleventh Circuits Mistakenly Have Applied *Conte Bros.* To Direct Competitors

Even though *Conte Bros.* applied only to claims by non-direct competitors, the Fifth and Eleventh Circuits have imported that five-factor test to *restrict direct competitors'* standing under the Lanham Act. *Procter & Gamble Co.* v. *Amway Corp.*, 242 F.3d 539, 562 (5th Cir. 2001); App., *infra*, 12a ("[W]e * * * adopt

the test for prudential standing articulated in *Conte Bros.*").

In *Procter & Gamble*, plaintiff Procter & Gamble ("P&G") brought suit under Section 43(a) of the Lanham Act against its direct competitor, Amway, for false advertising. 242 F.3d at 542 n.1 ("Amway manufactures and distributes household products, many of which *compete directly* with P&G's products.") (emphasis added). P&G alleged that Amway had instigated or spread a rumor that P&G maintained ties to a church practicing Satanic worship. *Id.* at 542. The district court held that P&G lacked standing to bring the false-advertising claim, *Procter & Gamble Co.* v. *Amway Corp.*, 80 F. Supp. 2d 639, 680 (S.D. Tex. 1999), and the Fifth Circuit affirmed. After "survey[ing] the caselaw of other circuits," the court of appeals "adopt[ed] the test * * * set forth in *Conte Bros.*," apparently without regard to the fact that *Conte Bros.* did not involve direct competitors. 242 F.3d at 562. The court of appeals then concluded that all five *Conte Bros.* factors "unanimously (though to various degrees) counsel[ed] against standing in this circumstance." *Id.* at 564.[10]

In the decision below, the Eleventh Circuit "join[ed]" the Fifth Circuit in applying the multifactor *Conte Bros.* test to direct competitors' false advertising claims. App., *infra*, 12a. The court of

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[10] Illustrating the conflicting standards, P&G brought a parallel case in the Tenth Circuit based on substantially identical allegations against Amway. Under the Tenth Circuit's test, however, the court did not even question P&G's standing. *Procter & Gamble Co.* v. *Haugen*, 317 F.3d 1121 (10th Cir. 2003).

appeals expressly acknowledged that Phoenix and McDonald's were alleged to be direct "competitors in the fast food industry," App. *infra*, 2a, but it held that they nonetheless were required to submit to the multifactor analysis under *Conte Bros.*, *id.* at 12a. The court of appeals acknowledged that several other circuits had taken a contrary view. *Id.* at 14a ("Of the circuits that have not adopted the *Conte Bros.* test, the Seventh, Ninth, and Tenth Circuits have come the closest to categorically holding that the plaintiff must be in actual or direct competition with the defendant and assert a competitive injury to establish prudential standing under § 43(a).") (internal quotation marks omitted). Compare *id.* at 15a-16a ("In contrast to the Seventh, Ninth, and Tenth Circuits, the First and Second Circuits have applied a less categorical approach to determine standing."), with *id.* at 12a n.2 ("To date, the Third and Fifth Circuits are the only circuits to have adopted the test set forth in *Conte Bros.*").

Significantly, the court of appeals expressly rejected any attempt to harmonize the "categorical" approach with the *Conte Bros.* test, holding that direct competitors alleging a competitive injury do not "invariably satisfy" the *Conte Bros.* factors. App., *infra*, 19a.[11] In the court's view, it need not "blindly

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[11] The Eleventh Circuit's half-hearted suggestion that "the *Conte Bros.* test and the categorical approach are not *necessarily* on opposite sides of a circuit split," App., *infra*, 18a n.5 (emphasis added), simply cannot be squared with its simultaneous confession that the two "contrast[ing]," *id.* at 16a, tests are in "tension," *id.* at 18a n.5, and its explicit refusal to interpret *Conte Bros.* to "invariably" grant standing to direct competitors alleging a competitive injury, *id.* at 19a.

accept a plaintiff's allegation that it is a 'competitor' that has suffered a 'competitive injury.'" *Id.* at 19a-20a. True to its word, the court of appeals concluded that petitioner could not—even at the preliminary 12(b)(6) stage—satisfy the *Conte Bros.* test. The court of appeals noted that "the first and third *Conte Bros.* factors weigh in favor of prudential standing, while the second, fourth, and fifth factors weigh against prudential standing." *Id.* at 31a-32a. Although admitting that it was a "close question," the court concluded that "on balance, Phoenix does not have prudential standing to bring its claim against McDonald's." *Ibid.* at 32a.

* * *

As this case comes before the Court, it is beyond dispute that Phoenix and McDonald's are direct competitors and that McDonald's false advertisements caused competitive injury to Phoenix. Under the legal standard adopted by the Second, Third, Seventh, Ninth, and Tenth Circuits, those allegations would satisfy the prudential standing inquiry. In the Fifth and Eleventh Circuits, however, importation of the *Conte Bros.* standard sets a much higher hurdle, leading those courts to deny standing to certain direct competitors alleging a competitive injury. The conflict is stark, meaningful, and intolerable, and this Court should resolve it.[12]

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[12] There is still further confusion among the courts of appeals regarding the prudential standing test that applies to claims brought by firms that are *not* direct competitors. For example, the Ninth and Tenth Circuits hold that non-direct competitors cannot satisfy prudential standing considerations under virtually any circumstance, while the Second, Third, and Seventh Circuits appear to have allowed standing for such plaintiffs under certain conditions. Compare *Jack Russell*, 407

II. Applying The *Conte Bros.* Test To Direct Competitors Directly Contradicts The Purposes Of The Lanham Act

Review is further warranted because the decision below undermines the fundamental statutory purpose of Section 43(a) of the Lanham Act, namely: "to protect the interests of a purely commercial class against unscrupulous commercial conduct." *Colligan* v. *Activities Club of N.Y., Ltd.*, 442 F.2d 686, 692 (2d Cir. 1971). To further that goal, the Act "provides a private remedy to a commercial plaintiff who[se] * * * commercial interests have been harmed by a competitor's false advertising." *Sandoz Pharm.*, 902 F.2d at 230. Denying standing to direct competitors undermines that objective by barring many of the plaintiffs that the statute was expressly designed to aid. A rule that prevents Burger King franchisees from suing McDonald's for injuries "directly and

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F.3d at 1037 (no prudential standing for the named targets of an allegedly false advertisement because they were not competitors) and *Stanfield*, 52 F.3d at 873 (no prudential standing for an inventor of agricultural product in an action against a manufacturer because "plaintiff is not now, nor has he ever been, in competition with defendants"), with *Ortho Pharm.*, 32 F.3d at 694 ("We have held that * * * a plaintiff * * * need not demonstrate that it is in direct competition with the defendant or that it has definitely lost sales because of the defendant's advertisements."), *Dovenmuehle*, 871 F.2d at 699 ("A party need not be in direct competition with a defendant to challenge a defendant's practices under the Act."), and *Conte Bros.*, 165 F.3d at 232 (rejecting the Ninth Circuit's rule granting prudential standing only to direct competitors). Although this Court need not resolve that broader conflict in this case, it is certainly fairly within the question presented and additional guidance for non-direct competitors' Lanham Act claims would no doubt be welcomed by the lower courts.

proximately caused" by the latter's nationwide campaign of false advertising cannot be squared with the Act's central purpose.

A. Restricting Standing For Direct Competitors Violates The Long-Established Principle That Direct Competitors Are Prototypical Lanham Act Plaintiffs

As numerous courts have recognized, direct competitors are the prototypical Lanham Act plaintiffs. See, *e.g.*, *Made in the USA Found.*, 365 F.3d at 281; *Stanfield*, 52 F.3d at 873; *Dovenmuehle*, 871 F.2d at 699; *Thorn*, 736 F.2d at 931. "[C]ompetitors have the greatest interest in stopping misleading advertising, and a private cause of action under section 43(a) allows those parties with the greatest interest in enforcement, and in many situations with the greatest resources to devote to a lawsuit, to enforce the statute rigorously." *Coca-Cola Co.* v. *Procter & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987). The rule adopted below—which works to deny standing to direct competitors whose claims may require detailed assessment of a false advertisement's anticompetitive effects or involve complex damages calculations—is fundamentally inconsistent with the Lanham Act's singular focus on ferreting out "unfair competition." See S. Rep. No. 515, 100th Cong., 2d Sess. 40 (1988).

Competitors' role in effectuating the Lanham Act's objectives is particularly critical because courts "categorical[ly] den[y] * * * Lanham Act standing to consumers." *Made in the USA Found.*, 365 F.3d at 281. In that sense the Act is unlike other statutes

designed to redress anticompetitive conduct (*e.g.*, federal antitrust statutes). As a result, if a direct competitor is denied prudential standing, there is not another group of plaintiffs waiting in the wings to enforce the Lanham Act's prohibitions. Here, for example, if Burger King franchisees do not have standing to sue their arch rival McDonald's under the Lanham Act for the latter's false advertising, then no plaintiff does. Particularly at this stage of litigation—where the allegations of falsity, causation, and injury have been thoroughly pleaded and *must be taken as true*—the standing rule adopted below cannot be reconciled with the Act's fundamental objective to promote a level commercial playing field.

Competitors are not the only casualties when the Lanham Act is not enforced—consumers, too, rely (albeit indirectly) on the Act's protections. Although "the Act is not directly available to consumers, it is nevertheless designed to protect consumers, by giving the cause of action to competitors who are prepared to vindicate the injury caused to consumers." *Alpo Petfoods, Inc.*, 720 F. Supp. at 212. While "the rival firm is the ultimate beneficiary" of the cause of action, the Act recognizes that "purchasers will be protected by competitor-instigated suits." Jean Wegman Burns, *Confused Jurisprudence: False Advertising Under the Lanham Act*, 79 B.U. L. Rev. 807, 837 (1999). Thus, restricting suits by direct competitors not only affects a rival firm's bottom line, it also harms consumers, who are the direct targets of the false advertising and are likewise victims of a noncompetitive marketplace.

B. The Rule Adopted Below Permits Many Of The Most Egregious Lanham Act Violations To Go Unpunished

More troubling still, applying the *Conte Bros.* test to direct competitors will have the perverse effect of allowing some of the most egregious violations of Section 43(a)—here, a multiyear nationwide false advertising scheme by a corporate giant—to go unpunished under the Lanham Act.[13] Such campaigns will often occur in relatively thick markets with multiple direct competitors and will reach millions of consumers—all of which creates the potential for significant and widespread competitive injury. As the decision below reveals, however, those circumstances make a court *less* likely (paradoxically) to grant standing under the second, fourth, and fifth *Conte Bros.* factors. A prudential standing rule that provides safe harbor for some of the most flagrant and harmful Lanham Act violators plainly frustrates Congress's intent to combat unfair competition. This case illustrates that dynamic all too well.

1. The Eleventh Circuit noted below that, under the second *Conte Bros.* factor (directness of the

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[13] Although McDonald's settled state lawsuits brought on behalf of injured *consumers*, that settlement did nothing to remedy the harm the false advertisements inflicted on its competitors. See App., *infra*, 4a-5a. To the contrary, McDonald's settled those cases by sponsoring another consumer giveaway—former McDonald's customers and members of the general public were given the opportunity to win one of fifteen $1,000,000 prizes. *Id.* at 5a. That is cold comfort to Burger King franchisees and other competitors who lost more than the *chance* to win a prize—they lost *actual* customers to McDonald's and spent *actual* dollars combating the false advertising.

injury), Phoenix would need to establish that, but for the false advertising, customers "would have eaten at *Burger King* (as opposed to one of numerous other fast food competitors)." App., *infra*, 25a. It then determined that "the causal chain linking McDonald's alleged misrepresentations * * * to a decrease in *Burger King's* sales is tenuous, to say the least" and concluded that the second factor weighed against standing. *Ibid.* But petitioner's claim is no more "tenuous" than one by any other plaintiff alleging that the national ad campaign of its direct competitor was false and caused injury. Indeed, what more must a false-advertising victim allege? See *id.* at 62a-63a ("As the direct and proximate result of McDonald's false, misleading and/or deceptive advertising and unfair competition, customers were diverted from Phoenix and its Affiliate Franchisees."); *id.* at 66a-67a ("The BK Class Franchisees have also been damaged directly and proximately as a result of McDonald's false, misleading and/or deceptive advertising and unfair competition. * * * McDonald's actions have caused, *inter alia*, a diversion of trade away from the Plaintiff Franchisees.").

Perhaps the courts below questioned petitioner's ability to *prove* such allegations, but that is not a legitimate basis for refusing even to *entertain* the action. Prudential standing is primarily about "whether the plaintiff is 'a proper party to invoke judicial resolution of the dispute,'" not about whether the plaintiff is likely to win on the merits. *Conte Bros.*, 165 F.3d at 225 (quoting *Bender* v. *Williamsport Area Sch. Dist.*, 475 U.S. 534, 546 n.8 (1986)). A rule that permits a judge to rely on such doubts to deny a prototypical plaintiff any oppor-

tunity to prove its case turns the concept of standing on its head and severely limits the Lanham Act's effectiveness in redressing significant violations.[14]

2. Similarly, the fourth *Conte Bros.* factor (the speculativeness of the damages), would almost always militate against standing for direct competitors in large or, as in this case, national markets. As the Eleventh Circuit saw it,

> the fast food market consists of *many* competitors, only two of which are McDonald's and Burger King. In our view, it requires too much speculation to conclude that an ascertainable percentage of both the increase in McDonald's sales and the concomitant decrease in *Burger King's* sales during the several-year run [of the false advertising] is directly attributable to McDonald's alleged misrepresentations.

App., *infra*, 28a. But courts do not shy away from cases—particularly not at the 12(b)(6) stage—simply because they are large and potentially complicated. Contrary to the assumption underlying the rule adopted below, courts are well equipped to ascertain whether a particular injury occurred and, if so, who caused it.

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[14] Doubts about petitioner's ability to prove those allegations are simply puzzling. In 2001, the President and COO of McDonald's boasted that these promotions generated "an unnatural spike in sales," App., *infra*, 59a, and simple common sense suggests that those increased sales came at least in part at the expense of Burger King franchisees—not to mention the fact that petitioner specifically alleged as much in its complaint, *id* at 62a-63a.

It may be appropriate to apply a more restrictive test to a class of plaintiffs who are at the margins of the Act's protections, as the Third Circuit did in *Conte Bros.* But dismissing prototypical Lanham Act plaintiffs—*i.e.*, direct competitors—because it might be difficult to measure how many would-be Burger King customers were lured across the street to McDonald's is not a standing inquiry at all. Such difficulties do not suggest that the wrong party is bringing the action, or even that there is necessarily some defect in the plaintiff's case. Rather, those concerns are primarily the result of McDonald's decision to broadcast false statements nationwide. In other words, any complicated questions of proof that may arise in this case are primarily attributable to the fact that McDonald's is, well, *McDonald's*—it competes nationwide and it advertises nationwide. It is ultimately petitioner's burden to prove that chain of causation at trial, but a court cannot pretermit that inquiry by claiming that it would be too "speculative" to give Burger King franchisees *a chance* to do so.

3. Finally, the fifth *Conte Bros.* factor (the risk of duplicative damages or complexity in apportioning them) would almost always militate against prudential standing for practically *any* direct competitor in a nationwide market. For example, the Eleventh Circuit lamented that, "[i]f we were to hold that Phoenix has prudential standing to bring the instant claim, then every fast food competitor of McDonald's * * * would *also* have prudential standing to bring such a claim. * * * Furthermore, apportioning damages among these competitors would be a highly complex endeavor." App., *infra*, 30a-31a. But

it would be passing strange to think that a multibillion-dollar corporation that simultaneously competes with multiple firms is somehow insulated from the Lanham Act's false-advertising prohibition because apportioning damages among direct competitors might be "complex." There is no evidence to suggest that Congress intended to exclude such cases from the Lanham Act; to the contrary, a law aimed at reining in "unfair competition" surely would not ignore some of the most significant cases simply because sorting out such questions might be complicated.[15]

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[15] In the antitrust context, courts routinely resolve complicated questions regarding the causes and effects of anticompetitive behavior. See, *e.g.*, *Doctor's Hosp. of Jefferson, Inc.* v. *Southeast Med. Alliance, Inc.*, 123 F.3d 301, 306 (5th Cir. 1997) ("Although [the plaintiff's] theories of antitrust violations arise from the complex and rapidly evolving health care 'market,' they are hardly novel."). Just as "standing should not become the tail wagging the dog in 'classical' antitrust cases * * * by an allegedly excluded competitor," *ibid.*, courts should not dismiss claims by traditional Lanham Act plaintiffs—*i.e.*, direct competitors alleging a competitive injury—because proving the claims might be complicated.

Nor do courts typically jettison claims on standing grounds because there are multiple victims or because the apportioning damages might be difficult. In such cases, "[i]t is certainly acceptable through expert economic testimony to make a reasonable estimation of actual damages through probabilities and inferences." *Loeb Indus., Inc.* v. *Sumitomo Corp.*, 306 F.3d 469, 490 (7th Cir. 2002). Courts "recognize that such economic analysis * * * will not be easy[,] [b]ut complex litigation is hardly new for the federal courts." *Id.* at 493; see also *Mendoza* v. *Zirkle Fruit Co.*, 301 F.3d 1163, 1171 (9th Cir. 2002) (noting that even though damages calculations may be "exceedingly complex," such questions are "best addressed by economic experts and other evidence at a later stage in the proceedings" and not on the pleadings).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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NOVEMBER 2007